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AGRICULTURAL AID AND TRADE MISSIONS

APRIL 3 (legislative day, MARCH 30), 1987.—Ordered to be printed

Mr. LEAHY, from the Committee on Agriculture, Nutrition, and Forestry, submitted the following

REPORT

[To accompany S. 659]

The Committee on Agriculture, Nutrition, and Forestry, to which was referred the bill (S. 659) to establish agricultural aid and trade missions to assist foreign countries to participate in United States agricultural aid and trade programs, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

BRIEF EXPLANATION

The major provisions of the bill are briefly described below.

TITLE I—AGRICULTURAL AID AND TRADE MISSIONS

The bill establishes small missions composed of representatives of the executive branch, market development cooperators, private voluntary organizations ("PVOs"), and cooperatives to go to eligible developing countries with a potential for agricultural market development in order to (1) promote to the host country officials and private organizations the array of U.S. food aid and trade programs, and (2) seek commitments for firm proposals or agreements to implement such programs.

TITLES II, III AND IV—AMENDMENTS TO PUBLIC LAW 480 AND SECTION 416, AND MISCELLANEOUS PROVISIONS

The bill amends the Agricultural Trade Development and Assistance Act of 1949 (PL 480) and Sec. 416 of the Agricultural Act of 1949 to provide for expansion of agricultural exports and markets through greater participation of PVOs and cooperatives, increased

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use of foreign currency proceeds by PVOs and cooperatives for development purposes, increased use of Section 108 programs in Title I agreements, and expanded reporting and expediting of PVO and cooperative activities under PL 480 Title II and Section 416.

The bill also authorizes an increase in the number of employees of the Foreign Agricultural Service ["FAS"], provides the Secretary of Agriculture with authority to contract for personal services abroad, amends the Food Security Act of 1985 to approve multiyear agreements under the Food for Progress program (if such an agreement is requested and meets the requirements of the program), and requires a report on the performance of the Intermediate Export Credit Program.

Finally the bill (1) requires all PL 480 Title I agreements to include a provision for use of local currencies by the local private sector under Sec. 108 (with waiver provisions); (2) provides that the President shall give favorable consideration in allocating PL 480 Title I commodities to countries using Sec. 108; and (3) adds conservation and study of biological diversity as a self-help measure under PL 480 Title I.

Purpose and Need for the Legislation

United States agricultural exports have deteriorated substantially over the last five years; specifically agricultural exports declined by more than 37 percent since 1981, from $43.3 billion to $26.1 billion in 1986. In addition the United States' market share of agricultural commodities and products has dropped worldwide by 28 percent during these same five years. In fact, for the first time in 15 years the United States incurred monthly agricultural trade deficits in 1986.

The loss of every $1 billion in United States agricultural exports causes the loss of 35,000 agricultural jobs and the loss of 60,000 nonagricultural jobs. This loss of agricultural exports threatens family farms and the economic well-being of rural America.

The Food Security Act of 1985, together with other legislation, provides a broad array of tools designed to assist in developing export markets for U.S. agricultural products. Better use and coordination of these tools is necessary to realize their full potential. The purpose of the Aid and Trade Missions mandated under the bill is to include in one small group the expertise necessary to explain the totality of these programs and to have this group meet with those U.S. officials responsible for implementing these programs in the country involved and with those host country officials and private organizations who would be the end-users of these programs.

Underlying the bill's rationale in the phenomenon that developing countries have replaced industrialized nations as the fastest growing markets for U.S. agricultural products. Indeed, between 1974 and 1985 the net increase in imports of U.S. agricultural products was larger both in terms of percentages and dollars among the developing countries versus developed countries. Korea is a graphic example of a country that while increasing its own per capita production of agricultural commodities also increased dramatically its purchases of U.S. agricultural commodities. In the period 1971–73

the U.S. exported an average of $368 million of agricultural commodities annually to Kprea, nearly half of which was government supported. The average for the 1980–83 period was $1.7 billion, all of it commercial exports. Between these two periods per capita agricultural production in Korea increased 27%. What we are seeing is that development of the agricultural sector is the critical first step to a country's overall economic development. As incomes rise, diets diversify and increase, and both imports and exports (which generate the foreign exchange needed to pay for imports) increase.

Given the above it is important that our approach to increasing exports of U.S. agricultural products be an integrated one, using all existing tools for both food aid and trade. However, the Committee strongly believes that there is a need for better targeting and more specialized use of these programs. The Aid and Trade Missions established in this bill provide an integrated approach toward increasing export of U.S. agricultural products to developing countries. Thus the missions would seek to obtain commitments for use of the export enhancement programs, the dairy export incentive program, the short term export credit guarantee program (GSM–102), the intermediate export credit guarantee program (GSM–103), with emphasis on construction of infrastructure, PL 480 Titles I and II, Section 416 and other agricultural aid and trade programs.

It is the intent of the Committee that the use of the Aid and Trade Missions will result in the use of a variety of these programs simultaneously in the involved developing countries. A mix of both sales and donations is justified as is prudent market development. United States donations of food aid through PL 480 exceed any other country donations, but have not necessarily succeeded in stimulating cash sales by the recipient countries. The Committee believes that S. 659 will maximize U.S. agricultural exports by identifiying and implementing concurrently U.S. programs that best suit the needs of developing countries.

In addition the bill provides for expanded use of existing authorities. For example, existing law permit partial or full sales of Section 416 and PL 480 Title II commodities for development projects administered by PVOs and cooperatives. However current administrative practice has been to limit severely the purposes for which local currencies may be generated in these programs. Since increases in the amount of funding available for foreign assistance purposes are likely to be difficult to obtain, the use of commodity surpluses for this purpose will likely increase. Thus, if surplus commodities are viewed as a potential development resource, then it follows that sales for local currencies to fund development projects should be more widely used. Such development projects ultimately lead the economies of developing countries to the "take-off" position wherein they can increase their agricultural imports. The bill doubles from 5% to 10% the floor on the value of the commodities which must be used for local currency sales under both PL 480 Title II and Sec. 416.

Effective implementation of the various tools designed to enhance U.S. agricultural exports depends in large measure on having the necessary people to do the job. The Committee believes that the current staffing level (approximately 800) of FAS is not sufficient to implement adequately these programs. The bill, there-

fore, fixes a floor on the number of fulltime employees of the foreign Agricultural Service for FY 87 through 89 at 850. In addition the Secretary of Agriculture is authorized to contract with individuals for personal services to be performed outside the U.S. to carry out U.S. agricultural commodity export marketing programs.

Consistency, continuity and a relative amount of certainty are important elements in carrying out development programs. Unfortunately, the administrative side of some of these programs has been characterized by restrictive guidelines, delays in approvals and a strong aversion to multiyear programs and to use of processed foods. Experience shows the Development Coordination Committee ("DCC") is all too frequently a source of delay or even outright blocking of valid development proposals. For example, a Section 416 CARE maternal and child health program in Mexico took approximately 2½ years to obtain DCC approval. Long delays in obtaining previously approved commodities were experienced by Land O'Lakes cooperative projects in Jamaica. The bill provides for review of and comment on administrative guidelines by interested parties, a 45 day limit on the proposal approval procedure and strong encouragement of the use of multiyear programs. The requirement of a 45 day approval time limit on PVO or cooperative proposals as well as a requirement that "call forwards" (requests for delivery of approved commodities) be made on time should greatly expedite and enhance these programs. Multiyear programs are frequently necessary to assure viability of a PVO or cooperative project—requiring annual allocations can be very time consuming and can result in critical delays. Since multiyear commitments are always made subject to the availability of commodities, there is no risk to the U.S.

COMMITTEE CONSIDERATION

S. 659, to establish agricultural aid and trade missions to assist foreign countries to participate in United States agricultural aid and trade programs, and for other purposes, was introduced by Senator Melcher, for himself, Senator Leahy, Senator Pryor and Senator Daschle, on March 6, 1987 and referred to the Committee on Agriculture, Nutrition, and Forestry.

The Committee held a hearing on the above legislation on March 10, 1987. Five witnesses from the private sector testified at this hearing.

On March 17 and 24 the Committee met to mark up the legislation. At the March 24 meeting Senators Melcher and Leahy offered an amendment in the nature of a substitute, which was adopted unanimously.

SECTION-BY-SECTION ANALYSIS

Section 1. Short Title; Table of Contents.
Section 2. Findings.

TITLE I—AGRICULTURAL AID AND TRADE MISSIONS

Section 101. Definitions.
Section 102. Agricultural Aid and Trade Missions.

Provides for establishment, within 60 days of enactment, of "agricultural aid and trade missions" composed of representatives of the Departments of Agriculture and State, AID, OPIC, market cooperators, private voluntary organizations (PVOs), and cooperatives. An OPIC representative would not be included in missions to countries with which it does not have an agreement. Mission team members who are not federal employees will serve without compensation, except for per diem, travel expenses and other necessary costs.

Section 103. Eligible Countries.

Requires completion of missions to eight countries within six months and to an additional eight countries within one year from date of enactment. Additional missions may be established by the Secretary of Agriculture. Criteria are provided for selection of the countries. While the Committee decided to leave the selection of countries to the discretion of the Executive Branch, within the criteria set out in this section, it requests that upon the selection of countries under Sections 102 and 103 and the naming of members of missions that it be informed thereof.

The Committee was concerned that there be one person under whose direction the aid and trade missions would be established, and therefore selected the Secretary of Agriculture. However the Committee expects that decisions in selecting countries to receive aid and trade missions, the priorities to be addressed by the missions in each country and other matters will be made through a consultative process among the agencies involved. This legislation should not be construed as altering any existing relationships in the field among representatives of those agencies.

Section 104. Functions.

Requires a mission to meet with representatives of the U.S. Government, the host country, commodity boards, private companies, PVOs and cooperatives that operate in the eligible country to assist them to select U.S. aid and trade programs that will be mutually beneficial in meeting the food and economic needs of the country. All relevant programs under the Commodity Credit Corporation Charter Act, Titles I and II of the Agricultural Trade Development and Assistance Act of 1954, Section 416 of the Agricultural Act of 1949, the Food for Peace Act of 1966, and the Food Security Act of 1985, will be presented by the mission.

Missions are to assist in obtaining firm commitments for (1) proposals for food aid programs; and (2) agreements for export commodity sales.

Section 105. Mission Reports.

Requires, within 60 days of completing its mission, that each mission prepare a report of its findings and recommendations. This report will be submitted to the President, the House and Senate Agriculture Committees, the Senate Foreign Relations Committee, the House Foreign Affairs Committee, the Secretary of Agriculture, the Secretary of State, the Administrator of AID and the President of OPIC.

Section 106. Progress Reports.

Requires quarterly reports of the progress made in implementing the recommendations of the missions to be submitted to the House and Senate Agriculture Committees, the House Committee on For-

eign Affairs and the Senate Committee on Foreign Relations by the Secretary of Agriculture and the Administrator of AID for a two year period, beginning one year after the enactment of the bill. This report would include the quantity and dollar value of commodities shipped to eligible countries and the specific development programs undertaken in accordance with this title.

Section 107. Use of Commodity Credit Corporation.

Provides, within the funds available to the CCC, for use of the facilities, services, authorities, and funds of the CCC in carrying out this title. This would include payment of per diem, travel expenses and other necessary costs for all mission members.

TITLE II—AMENDMENTS TO PUBLIC LAW 480

Section 201. Level of Sales for Foreign Currency.

Requires that for FY 88–90 each PL 480 Title I agreement shall "provide for" some sale for foreign currencies for use under Section 108, except for agreements with a country the President determines is "incapable" of participating in Section 108. A country would be considered incapable if, for example, there were no eligible private sector financial intermediaries in the country, or if the country were currently operating under a multiyear program which had already fully programmed the local currency sales receipts.

This provision is not intended to jeopardize Title I sales. However, the Committee believes strongly that Section 108 can be a potent tool for promotion of the private sector in developing countries and that it is incumbent upon field missions to promote its use and to insure that governments and the private sector of developing countries are fully informed about its possibilities. This requirement may be waived if the President determines that the level of agricultural commodities furnished under Title I will be "significantly reduced" as a result of compliance with this provision.

Section 202. Terms and Conditions of Agreements with Friendly Countries and Organizations.

Requires the President to give favorable consideration in the allocation of PL 480 Title I commodities to countries promoting the private sector through the use of Section 108.

Section 203. Criteria of Self-Help Measures.

Adds the promoting of conservation and study of biological diversity as a self-help measure under PL 480. This permits PL 480 to be used more widely for biological diversity conservation projects. Projects could include 1) research on threatened or critical ecosystems and species, especially in tropical developing countries; 2) establishment of national conservation data centers to determine conservation priorities and to review environmental impacts of development projects; 3) development of national conservation strategies; 4) identification of areas of high species endism, and centers of origin of important crop plants; 5) acquisition of biologically important lands to establish parks, agricultural reserves or other types of conservation units; 6) in-country training of foreign resources management and support for institutions that do such training; 7) public awareness campaigns involving local and international non-

governmental organizations to promote the conservation of biological diversity; and 8) restoration of degraded eco-systems.

Section 204. Use of Cooperatives to Furnish Commodities.

PL 480 Section 202(a) is amended to clarify and emphasize that cooperatives are eligible to furnish commodities under PL 480 Title II.

Section 205. Limitation on Use of Foreign Currencies.

Clarifies that an agreement with a host country is not needed as a prerequisite to implementing PVO and cooperative projects in that country. Host countries would of course still have to agree to operation of PVOs and cooperatives in the country and could continue to exercise approval rights over individual projects should they so choose.

Section 206. Reports on Sales and Barter and Use of Foreign Currency Proceeds.

Harmonizes and conforms the reporting requirements in PL 480 Title II on sales and barter and use of foreign currency proceeds with the reporting requirements of Section 416(b)(9)(B) of the Agricultural Act of 1949.

Section 207. Use of Foreign Currency Proceeds.

Amends Section 207 of PL 480 to:

(1) clarify and emphasize that PVOs and cooperatives are eligible to implement a broad range of developmental activities funded by the sale of local currencies under Title II. Such activities are encouraged by the Committee. Current administrative guidelines on sales and barter do not provide for cooperative development projects, even though they have been successful in India (dairy products and oilseeds), Indonesia (wheat), and Jamaica (butter and cheese). Current guidelines have limited the types of programs that PVOs can initiate using local currencies. Current guidelines will only allow the PVOs and cooperatives to pay for transportation, distribution, or costs related to direct feeding programs.

(2) double the amount of commodities required to be used for sales for foreign currencies from five percent of the "aggregate value of commodities distributed under non-emergency programs" to ten percent. Currently, 5 percent of the aggregate value of Title II commodities is available for PVO and cooperative sales and barter programs. Since the aggregate value of commodities is only half of the appropriated amount for Title II, the value of commodities available for sales and barter is $11.4 million, which is equivalent to 1.8 percent of the total appropriations of $628 million. Therefore, this section increases the percent for sales and barter in order to increase the actual amount sold closer to 5 percent of the appropriated amount.

(3) clarify that full as well as partial sales or barter of commodities is authorized and encouraged. A purpose of this section is to emphasize that there should be new initiatives to stimulate income growth and economic development which will result in improved export markets for U.S. products.

Section 208. Periods for Review and Comment.

(a) Requires that final action on a PVO or cooperative proposal having USAID field mission approval be taken by Washington within 45 days of its submission to A.I.D. Washington. Currently proposals approved by AID field missions which are sent to Wash-

ington can take months before the Washington interagency approval process is completed. A 45 day limit for decisions on programs for the current fiscal year will encourage submission of proposals and help assure that commodities are called forward within the current fiscal year.

(b) Requires that notice of a draft Administration guideline for PL 480 Title II be provided to PVOs and cooperatives that participate in programs under such title, and other interested persons not later than 30 days prior to issuance, that the proposed guideline be made available, on request, for review and comment by PVOs, cooperatives and others, and that any such comments be taken into consideration prior to issuance. Currently, PVOs, cooperatives, and other interested parties are rarely afforded the opportunity to review pending guidelines and submit comments. Such guidelines are generally exempt from the notice and comment rulemaking requirements of the Administrative Procedures Act ("APA"), 5 U.S.C. Sec. 553.

Publication of the guidelines in the Federal Register is not required by this provision. The intent is to encourage AID and USDA to consult informally with PVOs and cooperatives with respect to any proposed guidelines or changes thereto. This consultation process if not intended to trigger requirements for informal rulemaking procedures pursuant to the APA. APA exemptions to rulemaking will continue to apply.

(c) Assures that approved commodities will be delivered on time. "Call forwards" or orders have frequently been delayed in spite of the fact that the program commodities have already been approved by the DCC (Development Coordination Committee, composed of AID, USDA, State, Treasury, and OMB).

TITLE III—AMENDMENTS TO SECTION 416 OF THE AGRICULTURAL ACT OF 1949

Section 301. Eligible Commodities.

Clarifies that commodities for use as animal feed may be made available under Section 416. This section also clarifies that processed and value added products are eligible under Section 416.

Section 302. Availability of Commodities.

This section provides that when under Section 416, commodities are made available to the government of a foreign country, the PVOs and cooperatives operating in that country shall also be eligible to receive commodities to conduct programs in the same country.

For FY 1987, $189 million worth of commodities have been made available to governments as compensation for decreases in the U.S. sugar quota. These commodities will be made available with streamlined procedures to governments, but not to the PVOs and cooperatives working in a recipient country. This contradicts the goal of working with the private sector and individuals rather than channeling food primarily through governments.

Section 303. Multiyear Agreements.

Requires the Secretary of Agriculture on request, to make commodities available for distribution or sale in multiyear agreements, if the proposal otherwise meets the requirements of Section 416.

These would be agreements which have the concurrence of the USAID field mission. Many times a PVO will have a multiyear project that requires a degree of certainty regarding the future availability of commodities. The intent of this section is to stimulate greater use of multiyear agreements.

It should be noted that all multiyear commitments to furnish commodities available for PL 480 and Section 416 are contingent on the availability of these commodities.

Section 304. Foreign Currency Use and Allocation Requirements.

(a) Clarifies Section 416(b)(7)(D) to emphasize that is the intent of the Committee that PVOs and cooperatives are eligible to implement a broad range of developmental activities funded by the generation of local currencies under this section, and that full, as well as partial sales or barter of commodities is authorized and encouraged. This is similar to Section 207 of this bill. Thus, local currencies are allowed not simply for transportation and distribution and other costs related to feeding programs, but also for broader development projects by PVOs and cooperatives.

(b) Increases the floor of the amount of sales of Section 416 commodities available for sale for foreign currencies by PVOs and cooperatives from 5 to 10 percent of the value of all goods furnished under Section 416, or of the minimum tonnage required, whichever is greater (excepting commodities made available to carry out the Food for Progress Act of 1985). This should stimulate new initiatives for income generating and other economic development projects.

Section 305. Periods for Review and Comment.

This is similar to Section 208 of this bill. Section 305 provides for the same time periods for making final decisions on PVO and co-op proposals, for review and comment on Section 416 guidelines and for responding to call forwards for the Section 416 program as have been provided for in the PL 480 Title II program. Committee comments under Section 208 above apply to Section 305.

TITLE IV—MISCELLANEOUS PROVISIONS

Section 401. Authorized Personnel Level FAS.

This section provides for a 50 person increase for the Foreign Agricultural Service ("FAS") for FY 87-89. CBO estimates that this provision will cost $500 thousand, $5.6 million, and $5.9 million in fiscal years 1987 through 1989, respectively.

This personnel increase reflects the Congress' concern about the ability of the FAS to provide effective direction and promotion of the programs for which it is responsible. The Committee will be looking at this question in more depth at a later date.

Section 402. Contract Authority for Individuals Abroad.

This section authorizes the Secretary for Agriculture to contract with individuals for personal services abroad to assist in carrying out agricultural trade programs abroad.

Section 403. Multiyear Agreements under the Food for Progress Program.

Requires the President, on request, to make agricultural commodities available for distribution or sale by the recipients under the Food for Progress Program, if the agreement meets the require-

ments of the Program. These would be agreements which have the concurrence of the USAID field mission.

Section 404. Report on Intermediate Export Credit.

This section requires that not later than December 31, 1987, the Secretary of Agriculture shall report to the Senate and House Agriculture Committees on the use of the intermediate credit program authorized under Section 4(b) of the Food for Peace Act of 1966 to improve storage and marketing of imported agricultural products, to increase livestock production, and to increase markets for U.S. livestock. This reflects the Committee's concern that this credit not be used solely for sales of agricultural products but also for facilities that will permit countries to import increased amounts of U.S. agricultural products in the future.

Administration Views

The Committee received the following letter from Secretary of Agriculture Richard E. Lyng setting forth the Administration's views on S. 659 as it was originally introduced.

Department of Agriculture,
Office of the Secretary,
Washington, DC.

Hon. Patrick J. Leahy,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Department would like to offer its views on S. 659, "The Agricultural Aid and Trade Missions Act" which is being quickly considered by the Senate Agriculture Committee.

The Department does not favor enactment of the bill, S. 659.

First, we would like to reaffirm our support for increasing U.S. agricultural exports. This is a common goal for both the Administration and the Congress, and it is one that we shall continue to work with you to achieve. Therefore, while we would like to note our appreciation and support for the intent of the sponsors of this legislation, we must convey our major reservations with the language of this bill, and outline some of the specific problems we have identified.

In essence, we are already carrying out the objectives of the trade and aid missions envisioned by this legislation. Through our agricultural attaches stationed in some 70 countries, missions of the Agency for International Development located throughout the developing world, and the work of U.S. cooperatives and private voluntary organizations (PVOs) in many countries, the array of programs for trade and development offered by the United States are, in most cases, clearly understood by potential recipients.

Mandating specific countries to be visited by the proposed aid and trade missions irrespective of any analysis of the potential benefit of such visits, and appearing to mandate the participation of other governments in such visits, does not seem conducive to an efficient "marketing" of U.S. agricultural export programs. In fact, the actual impact of such missions on our exports would at best, appear to be minimal.

With regard to the several amendments to Title II of Public Law 480, we also have reservations or questions. Section 201 of S. 659 does not appear necessary since any sales programs for PVO's and cooperatives are not currently covered by the Title II, Section 206 programming constraints. Also, the proposed amendments affecting sales of Title II commodities by PVOs and cooperators are of concern to the Administration. As you know, the Administration opposes earmarkings, such as the minimum 10 percent level of sales required in this bill. In addition, increasing the level of sales and at the same time appearing to narrow the authorized uses of the proceeds of these sales seems inconsistent. Finally, while having great sympathy with the need to expedite decision-making, legislating deadlines for Executive Branch decisions with respect to approvals of proposals by PVO's and cooperatives is strongly opposed by the Administration.

Many of our concerns regarding the amendments to Title II apply equally to the proposed Section 416(b) amendments. The proposed amendment to the Section 416(b) sales authority for the PVOs would not result in any substantial change from current policy or authority. Therefore, we are unclear as to the meaning of this provision. There appears to be a matching provision in the bill which could require that for every ton donated under Section 416 to a government—a ton must also be donated to a PVO—which would hinder operating decisions for the most effective method to carry out food assistance. Shifting U.S. agricultural exports from the commercial account to the donations account is not beneficial to U.S. policy.

We strongly oppose the language as currently written with regard to the Section 416(b) provisions which mandate multi-year agreements upon request with no review, as well as making additional increases in the "minimum tonnage" level. Mandating the availability of additional quantities without consideration of either the validity of the request, or assurance of future Commodity Credit Corporation stocks, would result in invalid agreements and would mislead prospective users and recipients of this program.

Again, while we share the motivation behind this bill to increase U.S. agricultural exports, we have serious reservations about the specific requirements of this bill.

Sincerely,

RICHARD E. LYNG.

COST ESTIMATE

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee estimates that the enactment of S. 659 would cause very minimal costs to be incurred by the Federal Government.

In accordance with the Congressional Budget Act of 1974, the Congressional Budget Office prepared the following cost estimate, which is consistent with the Committee's cost estimate.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 1, 1987.

Hon. PATRICK J. LEAHY,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed S. 659, the Agricultural Aid and Trade Missions Act, as ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry on March 25, 1987.

The estimated budget impact of S. 659 is summarized in the following table.

[By fiscal years, in millions of dollars]

	1987	1988	1989	1990	1991
Direct spending:					
Estimated budget authority	0.1	0.2			
Estimated outlays	.1	.2			
Authorizations:					
Estimated authorization level	.5	5.6	5.9		
Estimated outlays	.3	5.6	5.9	0.2	
Total:					
Estimated budget authority/authorization level	.6	5.8	5.9		
Estimated outlays	.4	5.8	5.9	.2	

The costs of this bill fall within budget function 350.

Title I of the bill establishes agricultural aid and trade missions to assist foreign countries to participate in United States agricultural aid and export programs. The bill mandates that missions be established to visit 16 or more countries within a year after the enactment of this bill. Members of the missions will serve without compensation (except for regular salaries paid to government employees), but the government will pay travel expenses. Costs would be paid from funds of the Commodity Credit Corporation (CCC) and would be a direct spending effect, not requiring appropriation action.

Assuming an enactment date around June 1, 1987, CBO estimates that the missions and their reports would result in additional CCC outlays of about $60,000 in fiscal year 1987 and $0.2 million in 1988. The costs in 1987 result because missions would have to be established within 60 days and missions to eight countries would have to be completed within 6 months of enactment.

Title II of this bill amends the Agricultural Trade Development and Assistance Act of 1954 to require each Public Law 480 agreement for sales of commodities to provide for some sales for foreign currencies for re-lending through private financial intermediaries under section 108 of the Act unless waived by the President. It is impracticable to estimate the cost of this provision, which affects offsetting collections.

Title II also raises the minimum amount of commodities donated that may be sold by voluntary agencies and cooperatives to gener-

ate foreign currencies. This provision would have no budgetary impact.

Section 401 authorizes 50 additional full-time positions for the Foreign Agricultural Service during fiscal years 1987 through 1989. CBO assumes that 80 percent of the new employees would be posted overseas and the remaining 20 percent would be located in the United States. The total costs to the government for compensation, benefits and travel expenses would be about $500,000, $5.6 million, and $5.9 million in fiscal years 1987 through 1989, respectively. These cost estimates reflect adjustments for annual pay raises and the new federal retirement system. This cost would depend on appropriation action.

No costs to state or local governments would be incurred as a result of enactment of S. 659.

If you wish further details on this estimate, we would be pleased to provide them.

With best wishes,

Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee made the following evaluation of the regulatory impact which would be incurred in carrying out S. 659.

The bill is not a regulatory measure in the sense of imposing government-established standards or economic responsibilities on priviate individuals or businesses. It creates no additional regulations.

The bill will not result in any significant additional paperwork or recordkeeping requirements. The bill does require that the reports of the aid and trade missions established therein be provided to the Congress, that for a two year period the Executive Branch provide a quarterly report on progress made in implementing the recommendations of the aid and trade missions and on a one-time basis a report on use of intermediate export credit. Paperwork requirements should be reduced by the bill's provision conforming reporting requirements under PL 480 Title II to those in existence for Sec. 416 of the Agricultural Act of 1949.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

* * * * * * *

TITLE I

SEC. 101.[7] (a) In order to carry out the policies and accomplish the objectives set forth in section 2 of this Act, the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agricultural commodities—

(1) for dollars on credit terms;

(2) to the extent that sales for dollars under the terms applicable to such sales are not possible, for foreign currencies on credit terms and on terms that permit conversion to dollars at the exchange rate applicable to the sales agreement; or

(3) for foreign currencies for use under section 108 on terms that permit conversion to dollars.

(b)(1) Except as provided in paragraph (2), for each of the fiscal years 1986 through 1990 sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made at an annual level of not less than 10 percent of the aggregate value of all sales of agricultural commodities under this title. *For each of the fiscal years 1988 through 1990, each agreement entered into under this title shall provide for some sale for foreign currencies for use under section 108, except for agreements with a country the President determines is incapable of participating in section 108.*

(2) The President may reduce the minimum level of sales for foreign currencies, *or enter into sales agreements not providing for sales for foreign currencies for use under section 108,* required under paragraph (1) during any fiscal year in which the President determines that the level of agricultural commodities furnished under this title will be significantly reduced as a result of compliance with the requirement under paragraph (1).

(c) Agreements for sales for foreign currency in a developing country for use under section 108 may not be entered into to the extent that such agreements would generate currency in amounts that cannot be productively used and absorbed in the private sector of such country.

(d) Sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made on such terms and conditions as are specified in such agreement.

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SEC. 103. * * *

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(p)[22] except as provided in sec. 108,[14] assure convertibility at such uniformly applied exchange rates as shall be agreed upon of up to 50 per centum of the foreign currencies received pursuant to each agreement by sale to United States or purchasing country contractors for payment of wages earned in the development and consummation of works of public improvement in the purchasing country, **[**and**]**

(q)[22] except as provided in sec. 108,[14] assure convertibility of up to 50 per centum of the foreign currencies received pursuant to each agreement by sale to United States importers for the procurement of materials or commodities in the purchasing country**[**.**]**; *and*

(r) give favorable consideration in the allocation of commodities under this title to countries promoting the private sector through the use of section 108.

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SEC. 109.[50] (a) Before entering into agreements with developing countries for the sale of United States agricultural commodities on whatever terms, the President shall consider the extent to which the recipient country is undertaking wherever practicable self-help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities, including:

(1) devoting land resources to the production of needed food rather than to the production of nonfood crops—especially nonfood crops in world surplus;

(2) development of the agricultural chemical, farm machinery and equipment, transportation and other necessary industries through private enterprise;

(3) training and instructing farmers in agricultural methods and techniques, and reducing illiteracy among the rural poor,[51]

(4) constructing adequate storage facilities;

(5) improving marketing and distribution systems;

(6) creating a favorable environment for private enterprise and investment, both domestic and foreign, and utilizing available technical know-how;

(7) establishing and maintaining Government policies to insure adequate incentives to producers;

(8) establishing and expanding institutions for adaptive agricultural research;

(9) allocating for these purposes sufficient national budgetary and foreign exchange resources (including those supplied by bilateral, multilateral and consortium aid programs) and local currency resources (resulting from loans or grants to recipient governments of the proceeds of local currency sales);

(10)[52] carrying out voluntary programs to control population growth; [and]

(11)[53] carrying out programs to improve the health of the rural poor, including the immunization of children[.]*; and*

(12) promoting the conservation and study of biological diversity.

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SEC. 202.[72] (a) The President may furnish commodities for the purposes set forth in section 201 through such friendly governments and such agencies, private or public, including intergovernmental organizations such as the world food program and other multilateral organizations in such manner and upon such terms and conditions as he deems appropriate. Such commodities may be furnished for direct distribution, sale, barter, or other appropriate disposition in carrying out the purposes set forth in section 201.[72a] The President shall, to the extent practicable, utilize nonprofit voluntary agencies *or cooperatives* registered with, and approved by, the Agency for International Development.[73] If no United States nonprofit voluntary agency registered with and approved by the

Agency for International Development [73] is available, the president may utilize a foreign nonprofit voluntary agency which is registered with and approved by the Agency for International Development.[74] Insofar as practicable, all commodities furnished hereunder shall be clearly identified by appropriate marking on each package or container in the language of the locality where they are distributed as being furnished by the people of the United States of America.[75] Except in the case of emergency, the President shall take reasonable precaution to assure that commodities furnished hereunder will not displace or interfere with sales which might oterwise be made.

SEC. 206. *(a)* Except to meet famine or other urgent or extraordinary relief requirements, *or for nonemergency programs conducted by nonprofit voluntary agencies or cooperatives,* no assistance under this title shall be provided under an agreement permitting generation of foreign currency proceeds unless (1) the country receiving the assistance is undertaking self-help measures in accordance with section 109 of this Act, (2) the specific uses to which the foreign currencies are to be put are set forth in a written agreement between the United States and the recipient country, and (3) such agreement provides that the currencies will be used for (A) alleviating the causes of the need for the assistance in accordance with the purposes and policies specified in section 103 of the Foreign Assistance Act of 1961, (B) programs and projects to increase the effectiveness of food distribution and increase the availability of food commodities provided under this title to the neediest individuals in recipient countries.[88] The President shall include information on currencies used in accordance with this section in the reports required under section 408 of this Act and section 657 of the Foreign Assistance Act of 1961, or (C) health programs and projects, including the immunization of children.[89]

(b) Not later than February 15, 1988, and annually thereafter, the President shall report to the Congress on sales and barter, and use of foreign currency proceeds, under this section and section 207 during the preceding fiscal year. Such report shall include information on—

(1) the quantity of commodities furnished for such sale or barter;

(2) the amount of funds (including dollar equivalents for foreign currencies) and value of services generated from such sales and barter in such fiscal year;

(3) how such funds and services were used;

(4) the amount of foreign currency proceeds that were used under agreements under this section and section 207 in such fiscal year, and the percentage of the quantity of all commodities and products furnished under this section and section 207 in such fiscal year such use represented;

(5) the President's best estimate of the amount of foreign currency proceeds that will be used, under agreements under this section and section 207, in the then current fiscal year and the next following fiscal year (if all requests for such use are agreed to), and the percentage that such estimated use represents of the quantity of all commodities and products that the President es-

timates will be furnished under this section and section 207 in each such fiscal year;

(6) the effectiveness of such sales, barter, and use during such fiscal year in facilitating the distribution of commodities and products under this section and section 207;

(7) the extent to which such sales, barter, or uses—

(A) displace or interfere with commercial sales of United States agricultural commodities and products that otherwise would be made;

(B) affect usual marketings of the United States;

(C) disrupts world prices of agricultural commodities or normal patterns of trade with friendly countries; or

(D) discourage local production and marketing of agricultural commodities in the countries in which commodities and products are distributed under this subsection; and

(8) the President's recommendations, if any, for changes to improve the conduct of sales, barter, or use activities under this section and section 207.

SEC. 207.[90] (a) A nonprofit voluntary agency *or cooperative* requesting a nonemergency food assistance agreement under this title shall include in such request a description of the intended uses of any foreign currency proceeds that would be generated with the commodities provided under the agreement.

(b) Such agreements shall provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds under this subsection in an amount that is not less than [5 percent] *10 percent* of the aggregate value of the commodities distributed under nonemergency programs under this title for such fiscal year.

(c) Foreign currencies generated from any partial or full sales or barter of commodities by a nonprofit voluntary agency or cooperative shall be used—

(1) to transport, distribute, and otherwise enhance the effectiveness of the use of commodities and products donated under this title; and

(2) to implement income generating, community development, health, nutrition, cooperative development, agricultural programs, and other developmental activities.

SEC. 208. (a) Not later than 45 days after submission to the Agency for International Development office in Washington, D.C., the President shall take final action on a proposal submitted by a nonprofit voluntary agency or cooperative, with the concurrence of the field mission, for the delivery of commodities requested.

(b) Not later than 30 days perior to the issuance of a final guideline issued to carry out this title, the President shall—

(1) provide notice of the proposed guideline to nonprofit voluntary agencies and cooperatives that participate in programs under this title, and other interested persons, that the proposed guideline is available for review and comment;

(2) make the proposed guideline available, on request, to any nonprofit voluntary agency, cooperative, and person; and

(3) take any comments received into consideration before the issuance of the final guideline.

(c) Not later than 15 days after receipt of a call forward from a field mission for commodities or products that meets the require-

ments of this title, the order for the purchase or the supply, from inventory, of such commodities or products shall be transmitted to the Commodity Credit Corporation.

AGRICULTURAL ACT OF 1949

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SEC. 416. * * *

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(b)[3,10] (1) The Secretary, subject to the requirements of paragraph (10), may furnish eligible commodities for carrying out programs of assistance in developing countries and friendly countries under title II of the Agricultural Trade Development and Assistance Act of 1954 and under the Food for Progress Act of 1985, as approved by the Secretary, and for such purposes as are approved by the Secretary. To ensure that the furnishing of commodities under this subsection is coordinated with and complements other United States foreign assistance, assistance under this subsection shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954.

(2) As used in this subsection, the term 'eligible commodities' means—

(A) dairy products, [gains,] *wheat, rice, feed gains,* and oilseeds acquired by the Commodity Credit Corporation through price support operations, *and the products thereof,* that the Secretary determines meet the criteria specified in subsection (a); and

(B) such other edible agricultural commodities as may be acquired by the Secretary or the Commodity Credit Corporation in the normal course of operations and that are available for disposition under this subsection, except that no such commodities may be acquired for the purpose of their use under this subsection.

(3)(A) Commodities may not be made available for disposition under this subsection in amounts that (i) will in any way reduce the amounts of commodities that traditionally are made available through donations to domestic feeding programs or agencies, or (ii) will prevent the Secretary from fulfilling any agreement entered into by the Secretary under a payment-in-kind program under this Act or other Acts administered by the Secretary.

(B)(i) The requirements of section 401(b) of the Agricultural Trade Development and Assistance Act of 1954 shall apply with respect to commodities furnished under this subsection. Commodities may not be furnished for disposition to any country under this subsection except on determinations by the Secretary that—

(I) the receiving country has the absorptive capacity to use the commodities efficiently and effectively; and

(II) such disposition of the commodities will not interfere with usual marketings of the United States, nor disrupt world prices of agricultural commodities and normal patterns of commercial trade with developing countries.

(ii) The requirement for safeguarding usual marketings of the United States shall not be used to prevent the furnishing under this subsection of any eligible commodity for use in countries that—

(I) have not traditionally purchased the commodity from the United States; or

(II) do not have adequate financial resources to acquire the commodity from the United States through commercial sources or through concessional sales arrangements.

(C) The Secretary shall take reasonable precautions to ensure that—

(i) commodities furnished under this subsection will not displace or interfere with sales that otherwise might be made; and

(ii) sales or barter under paragraph (7) will not unduly disrupt world prices of agricultural commodities nor normal patterns of commercial trade with friendly countries.

(D) If eligible commodities are made available under this section to a friendly country, nonprofit and voluntary agencies and cooperatives shall also be eligible to receive commodities for food aid programs in the country.

(4) Agreements may be entered into under this subsection to provide eligible commodities in installments over an extended period of time. *In agreements with recipients of eligible commodities under this section (including nonprofit and voluntary agencies or cooperatives), the Secretary, on request, shall approve multiyear agreements to make agricultural commodities available for distribution or sale by the recipients if the agreements meet the requirements of this section.*

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(7) Eligible commodities, and products thereof, furnished under this subsection may be sold or bartered only with the approval of the Secretary and solely as follows:

(A) Sales and barter that are incidental to the donation of the commodities or products.

(B) Sales and barter to finance the distribution, handling, and processing costs of the donated commodities or products in the importing country or in a country through which such commodities or products must be transshipped, or other activities in the importing country that are consistent with providing food assistance to needy people.

(C) Sales and barter of commodities and products furnished to intergovernmental agencies or organizations, insofar as they are consistent with normal programming procedures in the distribution of commodities by those agencies or organizations.

(D)(i) Sales of commodities and products furnished to nonprofit and voluntary agencies, or cooperatives, for food assistance under agreements that provide for the use, by the agency or cooperative, of foreign currency proceeds generated from such sale of commodities or products for the purposes established in clause (ii) of this subparagraph.

[(ii) Foreign currency proceeds generated from the sales of commodities and products under this subparagraph shall be

used by nonprofit and voluntary agencies, or cooperatives, for activities carried out by the agency or cooperative that will enhance the effectiveness of transportation, distribution, and use of commodities and products donated under this subsection, including food for work programs and cooperative and agricultural projects.]

(ii) Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit and voluntary agency or cooperative shall be used—

(I) to transport, distribute, and otherwise enhance the effectiveness of the use of commodities and products donated under this section; and

(II) to implement income generating, community development, health, nutrition, cooperative development, agricultural programs, and other developmental activities.

(iii) Except as otherwise provided in clause (v), such agreements, taken together for each fiscal year, shall provide for sales of commodities and products for foreign currency proceeds in amounts that are, in the aggregate, not less than [5 percent] *10 percent* of the aggregate value of all commodities and products furnished, *or the minimum tonnage required, whichever is greater,* for carrying out programs of assistance under this subsection in such fiscal year. The minimum allocation requirements of this clause apply with respect to commodities and products made available under this subsection for carrying out programs of assistance under title II of the Agricultural Trade Development and Assistance Act of 1954, and not with respect to commodities and products made available to carry out the Food for Progress Act of 1985.

(iv) Foreign currency proceeds generated from the sale of commodities or products under this subparagraph shall be expended within the country of origin within one year of acquisition of such currency, except that the Secretary may permit the use of such proceeds (I) in countries other than the country of origin as necessary to expedite the transportation of commodities and products furnished under this subsection, and (II) after one year of acquisition as appropriate to achieve the purpose of clause (i).

(v) The provisions of clause (iii) of this subparagraph establishing minimum annual allocations for sales and use of proceeds shall not apply to the extent that there have not been sufficient requests for such sales and use of proceeds nor to the extent required under paragraph (3).

(E) Sales and barter to cover expenses incurred under paragraph (5)(a).

No portion of the proceeds or services realized from sales or barter under this paragraph may be used to meet operating and overhead expenses, except as otherwise provided in subparagraph (C) and except for personnel and administrative costs incurred by local cooperatives.

(8)(A) To the maximum extent practicable, expedited procedures shall be used in the implementation of this subsection.

(B) The Secretary shall be responsible for regulations governing sales and barter, and the use of foreign currency proceeds, under

paragraph (7) of this subsection that will provide reasonable safeguards to prevent the occurrence of abuses in the conduct of activities provided for in paragraph (7).

(C)(i) Not later than 45 days after submission to the Agency for International Development office in Washington, D.C., the Secretary shall take final action on a proposal submitted by a nonprofit and voluntary agency or cooperative, with the concurrence of the field mission, for the delivery of commodities requested.

(ii) Not later than 30 days prior to the issuance of a final guideline issued to carry out this section, the Secretary shall—

(I) provide notice of the proposed guideline to nonprofit and voluntary agencies and cooperatives that participate in programs under this section, and other interested persons, that the proposed guideline is available for review and comment;

(II) make the proposed guideline available, on request, to any nonprofit and voluntary agency, cooperative, and person; and

(III) take any comments received into consideration before the issuance of the final guideline.

(iii) Not later than 15 days after receipt of a call forward from a field mission for commodities or products that meets the requirements of this section, the order for the purchase or the supply, from inventory, of such commodities or products shall be transmitted to the Commodity Credit Corporation.

FOOD SECURITY ACT OF 1985

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FOOD FOR PROGRESS

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SEC. 1110. * * *

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(j) Within 90 days after the end of each fiscal year in which an agreement entered into with a country under this section is in effect, the President shall report to the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the status of such agreement and the progress being made to implement private, free enterprise agricultural policies for long-term agricultural development in such country.

(k) In carrying out this section, the President shall, on request, approve multiyear agreements to make agricultural commodities available for distribution or sale by the recipient if the agreements meet the requirements of this section.

[(k)**]** *(l)* This section shall be effective during the period beginning October 1, 1985, and ending September 30, 1990.

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